

AMENDED IN ASSEMBLY MARCH 25, 2010

CALIFORNIA LEGISLATURE—2009—10 REGULAR SESSION

ASSEMBLY BILL

No. 2564

Introduced by Assembly Member Swanson

February 19, 2010

An act to amend Section 25121 of the Revenue and Taxation Code, relating to taxation 13337 of the Government Code, relating to the state budget.

LEGISLATIVE COUNSEL'S DIGEST

AB 2564, as amended, Swanson. ~~Corporation Tax Law: net income: allocation and apportionment. State budget: tax expenditures.~~

Under existing law, various duties and responsibilities are imposed upon the Governor and the Department of Finance in connection with the preparation and submission of the annual State Budget to the Legislature at each regular session thereof.

This bill would require the budget to include a section that has specified information relating to tax expenditures, as defined, including, among other things, a comprehensive list of tax expenditures exceeding \$5,000,000 in annual cost and an estimate or range of estimates for the state and local revenue loss that results from tax expenditures.

~~The Corporation Tax Law imposes taxes measured by income and, in the case of a business with income derived from or attributable to sources both within and without this state, requires the taxpayer to allocate and apportion its net income, as provided.~~

~~This bill would make a technical, nonsubstantive change to this allocation and apportionment provision.~~

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~-yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 *SECTION 1. Section 13337 of the Government Code is*
2 *amended to read:*

3 13337. (a) The budget required by the State Constitution to
4 be submitted by the Governor at each regular session of the
5 Legislature shall be submitted within the first 10 days thereof and
6 shall contain a complete plan and itemized statement of all
7 proposed expenditures of the state provided by existing law or
8 recommended by him or her, and all of its institutions, departments,
9 boards, bureaus, commissions, officers, employees, and other
10 agencies, and of all estimated revenues, for the ensuing fiscal year,
11 together with a comparison, as to each item of revenues and
12 expenditures, with the actual revenues and expenditures for the
13 last completed fiscal year, the estimated revenues, and expenditures
14 for the existing fiscal year and the budgeted revenue and
15 expenditures for the next fiscal year.

16 (b) (1) The budget shall, in accordance with Chapter 2
17 (commencing with Section 41200) of Part 24 of the Education
18 Code, include a section that specifies the percentages and amounts
19 of General Fund revenues that must be set aside and applied for
20 the support of school districts, as defined in Section 41302.5, and
21 community college districts, as required by subdivision (b) of
22 Section 8 of Article XVI of the California Constitution.

23 (2) (A) *The budget shall include a section that specifies all of*
24 *the following:*

25 (i) *A comprehensive list of tax expenditures exceeding five*
26 *million dollars (\$5,000,000) in annual cost.*

27 (ii) *An estimate or range of estimates for the state and local*
28 *revenue loss for the current fiscal year and the two subsequent*
29 *fiscal years. For sales and use tax expenditures, this would include*
30 *partial year exemptions and all other tax expenditures when the*
31 *State Board of Equalization has obtained that information.*

32 (iii) *For personal income tax expenditures, the number of*
33 *taxpayers affected and returns filed, as applicable, for the most*
34 *recent tax year for which full year data is available.*

35 (iv) *For corporation tax and sales and use tax expenditures, the*
36 *number of returns filed or business entities affected, as applicable,*
37 *for the most recent tax year for which full year data is available.*

1 (B) *For purposes of this paragraph, “tax expenditure” shall*
2 *have the same meaning as in Section 13305.*

3 (c) The Governor, or the Department of Finance acting on his
4 or her behalf, shall make appropriate changes in the budget request
5 to reflect any modification in the organization or functions of state
6 government proposed under Article 7.5 (commencing with Section
7 12080) of Chapter 1 prior to the passage of the budget.

8 (d) The Governor’s Budget shall be prepared in accordance with
9 guidelines and instructions adopted by the Department of Finance.

10 (e) In order to provide meaningful comparisons, the Governor’s
11 Budget shall be prepared in such a manner that the information
12 presented provides for such comparisons between the fiscal years.

13 (f) The Department of Finance shall submit to the committee
14 in each house which considers appropriations and to the Joint
15 Legislative Budget Committee copies of budget material submitted
16 to it by agencies pursuant to the provisions of Article 2
17 (commencing with Section 13320).

18 (g) The Governor’s Budget shall also include a coding structure
19 which indicates for each budget entity the categorization of
20 expenditures and revenues.

21 (h) Prior to the submission of the Governor’s Budget to the
22 Legislature, the Department of Finance may conduct public
23 hearings regarding any portion of any budget.

24 (i) The Governor, or the Department of Finance acting on his
25 or her behalf, shall, at the same time the Governor’s Budget is
26 submitted to the Legislature, submit to the Legislature copies of
27 the material for the purposes of subdivision (j).

28 (j) The Department of Finance shall develop a fiscal information
29 system which will provide timely and uniform fiscal data needed
30 to formulate and monitor the budget, including, but not limited to,
31 on-line inquiry capacity and the ability to simulate budget
32 expenditures and forecast revenues. This system may include,
33 among other things, data on encumbrances and expenditures by
34 line item, governmental unit, and fund source. The system shall
35 also include expenditures and encumbrances by program, as
36 required. This system shall also include a coding structure which
37 indicates the categorization of expenditures and revenues. This
38 system and the data shall be available to both the legislative and
39 executive branches. The system may contain separate programs
40 accessible by only one branch, designed to provide for distinct

1 application of the data, but the basic system data shall be available
2 on an equal basis to both the legislative and executive branches of
3 government.

4 ~~SECTION 1. Section 25121 of the Revenue and Taxation Code~~
5 ~~is amended to read:~~

6 ~~25121. Any taxpayer having income from business activity~~
7 ~~that is taxable both within and without this state shall allocate and~~
8 ~~apportion its net income as provided in this act.~~